DOCUMENT RESUME

ED 164 951 08 CE 019 486

AUTHOR	Horton, Mary
TITLE	Preparing Memos for Goods Returned. Student's Manual.
INSTITUTION	Clemson Univ., S.C. Vocational Education Media Center.
SPONS AGENCY	Office of Education (DHEW), Washington, D.C.; South Carolina State Dept. of Education, Columbia. Office of Vocational Education.
PUB DATE	78
GRANT	G007603810
NOTE	46p.; For related documents see CE 019 472-478, CE 019 480-489, ED 155 303, and ED 155 400-478
AVAILABLE FROM	Vocational Education Media Center, 10 Tillman Hall, Clemson University, South Carolina 29631 ($20.00 for the complete set of bookkeeping modules; $15.00 for the two transparency sets [Recordkeeping I & II; Recording Goods Bought] designed to accompany this bookkeeping set)
EDRS PRICE	MF-$0.83 HC-$2.06 Plus Postage.
DESCRIPTORS	Behavioral Objectives; *Bookkeeping; Business Education; Business Skills; Instructional Materials; *Office Occupations Education; Performance Based Education; *Records (Forms); Secondary Education
IDENTIFIERS	Vocational Technical Education Consortium States

ABSTRACT

Supporting performance objective 54 of the V-TECS (Vocational-Technical Education Consortium of States) Bookkeeper Catalog, and both a set of student materials and an instructor's manual on preparing memos for goods returned are included in this module. (This module is the seventh in a set of ten on bookkeeping [CE 019 480-489].) The student materials include a pre- and posttest, four learning activities, copies of various forms (e.g., debit memo, credit memo) and two instructor's checklists. The instructor's manual includes answer keys to the pre- and posttest, various forms for duplicating (e.g., debit memorandum, journal page, and purchases returns and allowances), and a script for a slide presentation. The materials are designed for self-paced individual instruction and may be adapted for use with large groups. (A related set of modules on banktelling [CE 019 471-478] is also available.) (JH)

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BK
IV–N

PREPARING MEMOS FOR GOODS RETURNED

STUDENT'S MANUAL

Prepared by

Mrs. Mary Horton

State Department of Education
Office of Vocational Education
Office Occupations Education
Columbia, South Carolina 29201

In Cooperation With

Vocational Education Media Center
Clemson University
Clemson, South Carolina 29631

1978

CE 019 486

These materials have been developed from funds
provided by Grant G007603810 under the
Vocational Education Act of 1963 P.L. 88-210 as Amended
Department of Health, Education and Welfare, Office of Education

ACKNOWLEDGEMENTS

These bookkeeper modules were developed by a group of office occupations teachers. Special appreciation is extended to the following:

Mrs. Linda Albert	Dreher High School
Mrs. Katherine Cliatt	A. C. Flora High School
Mrs. Mary Horton	Andrew Jackson High School
Mrs. Patricia Itter	C. A. Johnson High School
Mrs. Peggy McElveen	Gaffney Senior High School

Special thanks is also extended to Mrs. Frances Wells and Mrs. Shiela Werner at Lexington AVC, and Mrs. Helen Phillips and Mrs. Peggy McElveen at Gaffney Senior High School for field testing the materials.

A special note of gratitude is due Ann Jolly, office occupations teacher at Daniel Morgan AVC and former office occupations consultant with the State Department of Education, for her continuous cooperation during the development of these materials.

Anne L. Matthews

Anne L. Matthews, State Supervisor
Office Occupations Education

INTRODUCTION TO BOOKKEEPER INSTRUCTIONAL MATERIALS

The modules developed in South Carolina for the bookkeeper catalog are designed to provide audio, visual, and printed supplementary materials needed by the instructor and/or student to achieve the objectives stated in the catalog. The materials were designed as modules so that they may be flexibly inserted into an on-going program, as well as provide for maximum utilization via a rotation schedule.

These materials provide supplemental units of instruction in the following areas:

Module No.	Tasks	Performance Objective Nos.
I-G	Preparing Shipments for Freight Express	79
IV-K	Completing a Purchase Order Invoice	51
IV-J	Recording Discounts on Sales Invoices	50
IV-N	Preparing Memos for Goods Returned	54
IV-I	Typing Tabulated Materials	49
VI-G	Recording Entries Pertaining to Notes and Interest	13
VI-J	Recording Entries Pertaining to Sales Tax	16
	Accounting Forms	16

The modules typically include a performance objective, definitions, prerequisites, equipment, introduction, directions, learning activities, self checks, and tests (pre and post). The instructor's manual contains notes, keys, forms for duplication, instructor's checklists, scripts for recording, and supplementary materials.

Before you release the packages to your students, review each package within your department, discuss how to best utilize the materials, choose the desired course, and plan the sequence for each unit of instruction. Other considerations are required:

1. Insure that necessary equipment is available and in proper working order.
2. Insure that necessary audio materials are recorded and easily available.
3. Obtain the necessary equipment needed for filmstrip viewing and listening.
4. Replenish consumable supplies after each student completes the module.

The modules may be used in the following courses: Office Procedures, Cooperative Office Education, Senior Intensified Program, Bookkeeping, Accounting, Typewriting, Business Mathematics, and Office Machines.

Perhaps a rotation plan could be devised to provide each student with an orientation or a review of simple bookkeeper duties. A teacher may, however, select single modules, provided no prerequisite skills are listed.

PERFORMANCE OBJECTIVE:

Given data necessary for preparing credit and debit memos for goods returned, complete a credit and debit memo. Completed memo must be error-free and include customer's name, date, quantity, description of item, unit price, total price, and reason for return.

DEFINITION OF TERMS:

New terms will be underlined and explained as they are introduced to you. You will want to study these definitions and possibly keep a listing of new terms and definitions for reference.

PREREQUISITES:

You should have covered debits and credits and be familiar with making journal entries although a brief review is included in this learning activity package.

EQUIPMENT, TOOLS, RESOURCES, AND SUPPLIES:

You will want to have available the following items as you work in this Learning Activity Package.

Paper to use in answering questions
A pencil or pen
A typewriter may be used if you have had a typing course
Debit memo forms
Credit memo forms
An accounting or recordkeeping text will be helpful for reviewing debits, credits, and journalizing

PRE-TEST:

The Pre-Test in the next section will determine how much you already know about debits, credits, and preparing memos. Complete the Pre-Test, take it to your instructor for checking to determine if you are ready to continue the work in the learning activity package.

PRE-TEST

Directions: Number your paper from 1–15. Read the following questions or statements and write the correct answer on your paper. Choose the best answer.

1. Which of the following is not a reason for goods being returned?
   a. Incorrect items being shipped
   b. Goods contain defects
   c. Goods received too late to be used
   d. Goods sent early

2. The buyer who returns goods will complete
   a. a debit memorandum
   b. a credit memorandum
   c. both forms named in a and b
   d. neither a nor b

3. The vendor who receives goods being returned by a customer will complete
   a. a debit memorandum
   b. a credit memorandum
   c. both forms named in a and b
   d. neither a nor b

4. Accounts Payable is
   a. an asset account
   b. a liability account
   c. the same as owner's equity
   d. an expense account

5. Accounts Receivable is
   a. an asset account
   b. a liability account
   c. the same as owner's equity
   d. an expense account

6. When a liability account is credited, that account balance
   a. increases
   b. decreases
   c. remains the same
   d. totals zero

7. When goods are returned by a customer, the customer records will show
   a. a decrease in Accounts Payable
   b. an increase in Accounts Payable
   c. no change in Accounts Payable
   d. a negative number in Accounts Payable

8. When the vendor of goods receives a return from a customer, the vendor's records show
   a. no change in Accounts Receivable
   b. an increase in Accounts Receivable
   c. a decrease in Accounts Receivable
   d. a negative number in Accounts Receivable

PRE-TEST

(Continued)

Read the following statements and answer them as either True or False.

9. When goods are returned by the buyer, no explanation is needed as to why the goods are returned.
   a. True
   b. False

10. If a telephone call is made regarding a shipment of incorrect goods, no written information is necessary.
   a. True
   b. False

11. A debit memorandum explains the reason for goods being returned and gives the cost of the goods involved.
   a. True
   b. False

12. An accounting clerk for the buyer of goods may set up a separate account, Purchases Returns and Allowances, for keeping a record of all returns.
   a. True
   b. False

13. A credit memorandum shows the amount allowed the buyer by the vendor for the goods returned.
   a. True
   b. False

14. A credit memorandum results in an increase in an asset account since the buyer still owes the vendor for the goods.
   a. True
   b. False

15. The seller (or vendor) of goods may set up an account, Sales Returns and Allowances, for keeping a record of all returns.
   a. True
   b. False

LEARNING ACTIVITIES:

1. View the filmstrip entitled "Preparing Memos For Goods Returned". This filmstrip introduces you to the accounting entries and procedures used when preparing memos for goods returned.

2. Read Instruction Sheet I entitled "Completing Debit Memos and Journal Entries".

3. Read and complete the tasks in Instruction Sheet II entitled "Completing Credit Memos and Journal Entries".

4. Complete the three tasks found in Instruction Sheet III. You will complete debit and credit memorandums and record the accounting transactions. An Instructor's Checklist will be used to evaluate one or all of your tasks.

5. Finally, complete the Post-Test and submit your answers to your instructor for evaluation.

INTRODUCTION:

Through the use of debit and credit memorandums, businesses can more accurately keep records when goods are being returned to the vendor by the buyer. The most common reasons goods must be returned are:

1. Incorrect items were shipped, for example, incorrect style, size, or color.

2. Goods may contain defects or imperfections.

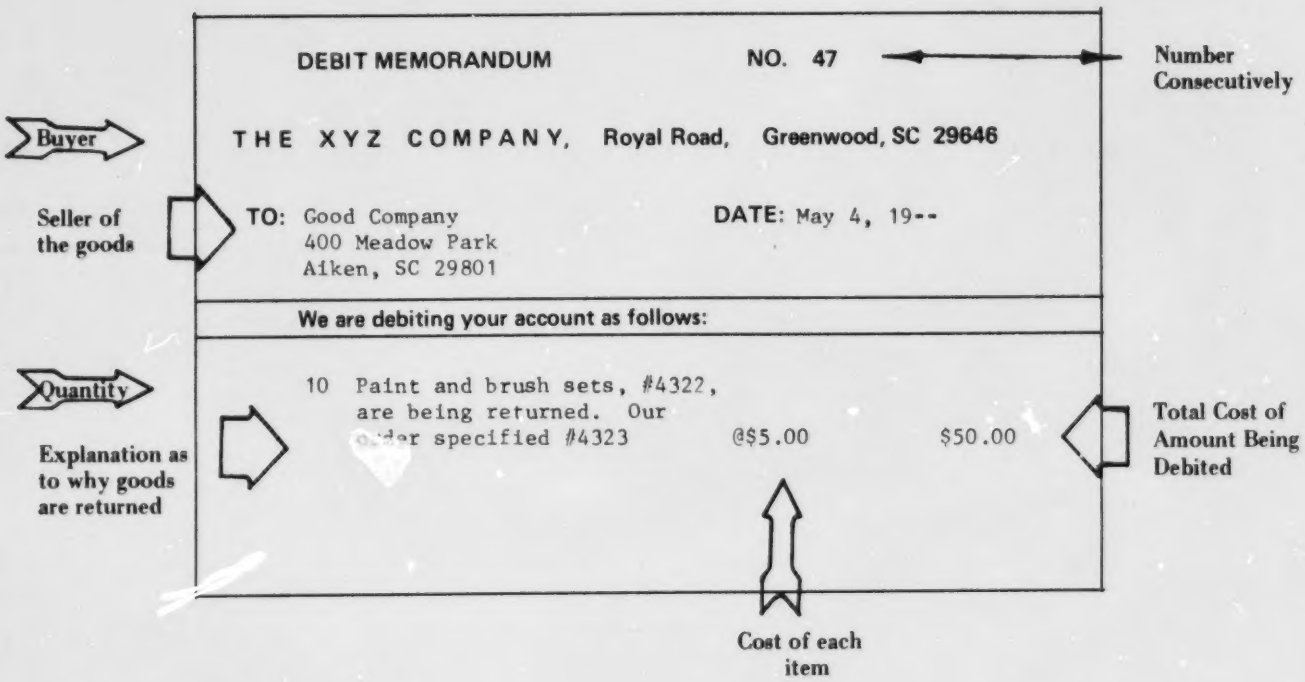
3. Goods may have been received too late to be used, for example, seasonal items or items for a special sales promotion.

When goods are returned by the buyer, an explanation is made as to why the goods were returned. An urgent explanation may be made by a telephone call but should also involve a written explanation. A letter,or a form called a debit memorandum, giving details, may be written. It may be completed by the buyer who is returning the goods. A debit memorandum explains the reason for the return of goods and gives the cost of the goods involved. The form is called a debit memorandum because the amount of the return will be deducted or will be recorded as a debit resulting in a decrease in Accounts Payable (a liability account).

A sample of a debit memorandum follows. Study this and use it as a guide in completing this learning activity package.

INSTRUCTION SHEET I

Completing Debit Memos and Journal Entries


DEBIT MEMORANDUM
NO. 47
Number Consecutively
Buyer
THE XYZ COMPANY, Royal Road, Greenwood, SC 29646
Seller of the goods
TO: Good Company
400 Meadow Park
Aiken, SC 29801
DATE: May 4, 19--
We are debiting your account as follows:
Quantity
10 Paint and brush sets, #4322, are being returned. Our order specified #4323
@$5.00
$50.00
Total Cost of Amount Being Debited
Explanation as to why goods are returned
Cost of each item

As an example, the XYZ Company owed the Good Company $700. Accounts Payable is a liability account with a credit balance. When a liability account is increased, a credit is made to the account. The XYZ Company had to return the last shipment of goods because the incorrect style number had been shipped. This would involve a debit or decrease in the liability account (Accounts Payable). The account would now look like this:

Account Payable

Name Good Company Account No. 235

Address 1318 Howell Street, St. Paul, MN 55119

DATE	EXPLANATION	POST REF.	DEBIT	CREDIT	CREDIT BALANCE
19-- May 1		P 4323		700.--	700.--
4		CM 732	50.--		650.--

Now XYZ Company owes the Good Company only $650 because Accounts Payable has been reduced by $50, the cost of the goods returned.

Since we had a debit or a decrease in a liability account, let's see what account will be credited in this situation. The purchases account may be credited to show a reduction in the amount of purchases or as is usually the case, a separate account, Purchases Returns and Allowances, may be credited so that all returns may be recorded together on a separate account. The account would look like this:

Purchases Returns and Allowances Account No. 201

DATE	EXPLANATION	POST REF.	DEBIT	DATE	EXPLANATION	POST REF.	CREDIT
				19-- May 4		J2	50.--

When the seller, or vendor of the goods receives the items being returned, the changes must be recorded in the accounts involved. The vendor completes a form, a credit memorandum, which shows the amount of credit allowed by the vendor for the return. This form is called a credit memorandum because there is a decrease (or a credit) in the asset account, Accounts Receivable. The vendor may also keep records of sales returns and allowances by having a separate account. The vendor, or Good Company's journal entries would appear as shown below:

Accounts Receivable

Name XYZ Company Account No. 747

Address Royal Road, Greenwood, SC 29646

DATE	EXPLANATION	POST REF.	DEBIT	CREDIT	BALANCE
19-- May 1		P 237	700.--		700.--
6		CM 732		50.--	650.--

Sales Returns and Allowances Account No. 79

DATE	EXPLANATION	POST REF.	DEBIT	DATE	EXPLANATION	POST REF.	CREDIT
19-- May 6		J 4	50.--				

A credit memorandum form follows. Study it and use it as a guide for completing projects in this learning activity package.

INSTRUCTION SHEET II

Completing Credit Memos and Journal Entries

Most businesses expect to have some customer dissatisfaction. A sales return occurs when goods are returned to the vendor and a credit (or cash refund) is made to the customer's account (or customer). A vendor may also grant a sales allowance to a customer who has received damaged or imperfect goods. When this happens, a credit is given to a customer for a part of the sales price of the goods when items are not returned.

When a sales return or a sales allowance is granted, the vendor completes a credit memorandum. This form shows the amount of credit granted by the vendor for returns and allowances. It is called a credit memorandum because Accounts Receivable, an asset account, is credited (decreased).

A sample credit memorandum follows. Study this and use it as a guide in completing this learning activity package.

CREDIT MEMORANDUM

Number 732

GOOD COMPANY
400 Meadow Park, Aiken, SC 29801

TO: XYZ Company
Royal Road
Greenwood, SC 29646

Date May 6, 19--

Your account is being credited for:

QUANTITY	DESCRIPTION	AMOUNT	TOTAL
10	Paint and Brush Sets	5.00	50.00
	#4322		

When allowances are made for damaged goods, the vendor uses a minus sales account entitled Sales Returns and Allowances, whereas the buyer uses an account, Purchases Returns and Allowances to record this transaction.

INSTRUCTION SHEET II

(Continued)

Duplicates are usually made of debit and credit memorandums. A copy of the credit memorandum would be sent to the buyer, whereas, the debit memorandum copy would be sent to the vendor. Additional copies are sometimes routed internally according to the accounting procedure of a business. In this learning activity, prepare only the original unless your instructor advises you differently.

INSTRUCTION SHEET III

Tasks 1 – 3

In the projects that follow,you will complete debit and credit memorandums and journalize, or enter the transactions as they would appear in the journal.

TASK 1

Obtain the debit memorandum and credit memorandum forms for these tasks from your instructor.

(1) You are keeping records for the Sporty Sports Shop. Mr. Davis, the owner, purchases goods from several suppliers for his shop. When errors are made in the goods received at the shop, a debit memorandum is completed and mailed to the supplier to notify the business that some items are being returned. The Sporty Sports Shop received in a shipment of other sporting goods two dozen metal frame tennis rackets, catalog number 8867, cost $12 each from the Johnson Tennis Equipment Manufacturer, 1412 Apple Tree Street, Atlanta, GA 30304. Sporty Sports Shop had ordered two dozen wood frame rackets, catalog number 8767. Complete the debit memorandum on the form provided for the Sporty Sports Shop. Give the reason for the return and the amount involved. The date of the return was February 7, 19--.

The journal entries for this transaction would appear as below. Copy these entries in a General Journal. You will use the Purchases Returns and Allowances account for the remainderof this task.

Accounts Payable

Name Johnson Tennis Equipment Manufacturer's Account No. 207

Address 1412 Apple Tree Street, Atlanta, GA 30304

DATE	EXPLANATION	POST REF.	DEBIT	CREDIT	CREDIT BALANCE
19-- Feb. 7		P 4324		337.--	337.--
		CM 733	288.--		49.--

Purchases Returns and Allowances Account No. 201

DATE	EXPLANATION	POST REF.	DEBIT	DATE	EXPLANATION	POST REF.	CREDIT
				19-- Feb. 7		J2	288.--

The first debit memorandum will be number 51.

(2) On February 18, the Sporty Sports Shop had to return a bicycle, cost $95, to Pedal Manufacturers, 222 Saddle Lane, Chicago, IL 60607. The bicycle had a damaged wheel when it was delivered. Upon inspection of the carton in which the bike came, it was determined that the damage was the fault of the manufacturer. Complete the debit memorandum for Sporty Sports Shop and record the journal entries. Remember to credit the Purchases Returns and Allowances account.

(3) On February 26, the Sporty Sports Shop had to return ten basketballs, cost $15 each, to the Pro Manufacturing Company, 654 Dribble Drive, Charlotte, NC 28202. The basketballs had arrived too late for a special sales promotion February 1–10. Complete the debit memorandum and show the journal entries.

TASK 2

Use the credit memorandum form (the form with no printed address) and prepare a credit memorandum as each supplier would for the three preceding situations. For each situation, credit is allowed for the Sporty Sports Shop. Begin numbering your forms with 24. Date them two days later than debit memo forms. Journal entries are not required.

TASK 3

You will now prepare credit memorandum forms and make the journal entries for Tammy Top Industries for items returned to the company by their customers. Use a Sales Returns and Allowances account for the credits allowed.

(1) Joan's Jean Shop, 404 Lynwood Square, Columbia, SC 29201, returned a shipment of 24 shirts, $10 each, Style 2020. Style 2002 had been ordered. Use today's date; begin with memo #105.

(2) The Hartsville Clothing Store, Hartsville, SC 29550, returned 4 dozen light blue T-shirts. Their order had specified dark blue. The cost of the shirts $4 each.

(3) Charlie's A Shop, 337 Main Street, Greenville, SC 29602, returned 3 dozen, Style 4007 shirts, cost $6 each. These shirts were included with other goods but had not been ordered.

POST-TEST

Directions: Number your paper from 1–15. Read the following questions or statements and write the correct answer on your paper. Choose the best answer.

1. When the vendor of goods receives a return from a customer, the vendor's records show
   a. no change in Accounts Receivable
   b. an increase in Accounts Receivable
   c. a decrease in Accounts Receivable
   d. a negative number in Accounts Receivable

2. Which of the following is not a reason for goods being returned?
   a. incorrect items being shipped
   b. goods contain defects
   c. goods received too late to be used
   d. goods sent early

3. Accounts Payable is
   a. an asset account
   b. a liability account
   c. the same as owner's equity
   d. an expense account

4. When a liability account is credited, that account balance
   a. increases
   b. decreases
   c. remains the same
   d. totals zero

5. Accounts Receivable is
   a. an asset account
   b. a liability account
   c. the same as owner's equity
   d. an expense account

6. When goods are returned by a customer, the customer records will show
   a. a decrease in Accounts Payable
   b. an increase in Accounts Payable
   c. no change in Accounts Payable
   d. a negative number in Accounts Payable

7. The vendor who receives goods being returned by a customer will complete
   a. a debit memorandum
   b. a credit memorandum
   c. both forms named in a and b
   d. neither a nor b

8. The buyer who returns goods will complete
   a. a debit memorandum
   b. a credit memorandum
   c. both forms named in a and b
   d. neither a nor b

POST-TEST

(Continued)

9. The seller (or vendor) of goods may set up an account, Sales Returns and Allowances, for keeping a record of all returns.
   a. True
   b. False

10. When goods are returned by the buyer, no explanation is needed as to why the goods are returned.
   a. True
   b. False

11. A credit memorandum results in an increase in an asset account since the buyer still owes the vendor for the goods.
   a. True
   b. False

12. If a telephone call is made regarding a shipment of incorrect goods, no written information is necessary.
   a. True
   b. False

13. A credit memorandum shows the amount allowed the buyer by the vendor for the goods returned.
   a. True
   b. False

14. A debit memorandum explains the reason for goods being returned and gives the cost of the goods involved.
   a. True
   b. False

15. An accounting clerk for the buyer of the goods may set up a separate account, Purchases Returns and Allowances, for keeping a record of all returns.
   a. True
   b. False

MODULE NO. IV–N

NAME_____
DATE_____

INSTRUCTOR'S CHECKLIST

PERFORMANCE SCALE

N/A – The skill was not applicable to this situation

Poor – The student can not perform the skill

Fair – The student can perform this skill satisfactorily but requires periodic supervision and/or assistance

Good – The student can perform this skill effectively without assistance and/or supervision

Excellent – The student can perform this skill without supervision and/or assistance with proficiency in speed

ACTIVITY Debit Memos for Purchase Returns	EVALUATION				
	N/A	POOR	FAIR	GOOD	Excellent
1. Obtained a debit memorandum.					
2. Used the current date.					
3. Inserted (typed) the name of the person or business to whom goods are being returned.					
4. Listed the quantity b. description of the goods c. unit price d. total price					
5. Sent original to creditor.					
6. Filed carbon as a source document for journal entry (Purchase Returns)					
7. Recorded journal entry appropriately.					

MODULE NO. IV–N

NAME_____
DATE_____

INSTRUCTOR'S CHECKLIST

PERFORMANCE SCALE

N/A – The skill was not applicable to this situation

Poor – The student can not perform the skill

Fair – The student can perform this skill satisfactorily but requires periodic supervision and/or assistance

Good – The student can perform this skill effectively without assistance and/or supervision

Excellent – The student can perform this skill without supervision and/or assistance with proficiency in speed

ACTIVITY Credit Memos for Sales Returns	EVALUATION				
	N/A	POOR	FAIR	GOOD	Excellent
1. Obtained a credit memorandum.					
2. Inserted (typed) the name and address of the person or business returning the goods.					
3. Used the current date.					
4. Listed the quantity b. description of items c. unit price d. total price					
5. Sent original to customer.					
6. Filed carbon copy as a source document for journal entry (Sales Returns).					
7. Recorded journal entry appropriately.					

BK
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PREPARING MEMOS FOR GOODS RETURNED

INSTRUCTOR'S HANDBOOK

Prepared by

Mrs. Mary Horton

State Department of Education
Office of Vocational Education
Office Occupations Education
Columbia, South Carolina 29201

In Cooperation With

Vocational Education Media Center
Clemson University
Clemson, South Carolina 29631

1978

Module No. IV–N

INSTRUCTOR'S GUIDE TO LEARNING ACTIVITIES

MODULE TITLE: PREPARING MEMOS FOR GOODS RETURNED

Learning Activity Numbers

OBJECTIVE(S): Given data necessary for preparing credit and debit memos for goods returned, complete a credit and debit memo. Completed memo must be error-free and include customer's name, date, quantity, description of item, unit price, total price, and reason for return.

INSTRUCTION SHEETS

I	Title: Completing debit memos and journal entries	2
II	Title: Completing credit memos and journal entries	3
III	Title: Tasks 1 – 3	4

STUDENT SELF-CHECKS INCLUDED IN MODULE

SUPPLEMENTAL MATERIALS

Recordkeeping I and II
Transparencies (Purchases)
(Sales)
Recording Goods Bought on Account
Transparencies

(Available from the Vocational Education Media Center, Clemson University, Clemson, South Carolina 29631)

TEXTBOOKS AND REFERENCE BOOKS REQUIRED

Gregg/McGraw-Hill, General Recordkeeping 7th ed., 1976, pp. 408–410.	
Gregg/McGraw-Hill, Accounting, Advanced Course, 2nd ed., 1969, pp. 152–154 163–166.	
Gregg/McGraw-Hill, Accounting 10/12, 3rd ed., 1977, pp. 261–265, 304–306, 485–486.	
South-Western, Century 21 Accounting, 1972, pp. 465–467, 489–491. (Continued)	

MANUALS, SPECIFICATION SHEETS REQUIRED

FILMSTRIP PRESENTATIONS & AV MATERIALS REQUIRED

Preparing Memos for Goods Returned	1

SPECIAL TOOLS, EQUIPMENT & SUPPLIES REQUIRED

Pen or pencil.	
A typewriter may be used.	
Debit and Credit memorandum forms (Forms for reproducing included in this guide).	

ATTITUDES & VALUES TO BE DEVELOPED

Neatness and accuracy stressed in completing forms.
Patience to re-check items.
Stress need for accuracy in all jobs as errors regarding goods being returned are costly and time consuming.

TEXTBOOKS AND REFERENCE BOOKS REQUIRED	
South-Western, Century 21 Accounting, 2nd ed., 1977, pp. 436–438, 457–458.	
South-Western, Clerical Recordkeeping, 2nd ed., 1970, pp. 97–100.	
MANUALS, SPECIFICATION SHEETS REQUIRED	
FILMSTRIP PRESENTATIONS & AV MATERIALS REQUIRED	
Preparing Memos for Goods Returned	1
SPECIAL TOOLS, EQUIPMENT & SUPPLIES REQUIRED	

ATTITUDES & VALUES TO BE DEVELOPED

* NOTES TO THE TEACHER TO ASSIST IN WORKING WITH THIS MODULE

The student should have covered debits and credits and be familiar with journalizing. You will need to use the forms in this Guide for duplicating debit and credit memos, general journal, and Purchases and Sales Returns and Allowances forms for each student.

You may have the student check his or her own answers for the Pre-Test and various activities. If so, the keys are contained in this Instructor's Guide and may be passed on to the student for the purpose of checking answers.

A script is included in your manual. Record and place it in an accessible area that is designated to the student in advance.

TASK 1

Answer Key

(1)

DEBIT MEMORANDUM NO. 51

SPORTY SPORTS SHOP, 1977 Sanford Street, Aiken, SC 29801

TO: Johnson Tennis Equipment Manufacturers
1412 Apple Tree Street
Atlanta, GA 30304

DATE: Feb. 7, 19--

We are debiting your account as follows:

24	#8867 metal frame tennis rackets. Our order called for #8767, wood frame rackets.	12.00	$288.00

(2)

DEBIT MEMORANDUM NO. 52

SPORTY SPORTS SHOP, 1977 Sanford Street, Aiken, SC 29801

TO: Pedal Manufacturers
222 Saddle Lane
Chicago, IL 60607

DATE: Feb. 18, 19--

We are debiting your account as follows:

1	Bicycle - with damaged wheel		$95.00

TASK 1

Answer Key

(Continued)

(3)

DEBIT MEMORANDUM NO. 53

SPORTY SPORTS SHOP, 1977 Sanford Street, Aiken, SC 29801

TO: Pro Manufacturing Company
654 Dribble Drive
Charlotte, NC 28202

DATE: Feb. 26, 19--

We are debiting your account as follows:

10	Basketballs Received too late for special sales promotion.	15.00	$150.00

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TASK 1

Answer Key

GENERAL JOURNAL

	ACCOUNTS PAYABLE DEBIT	GENERAL DEBIT	DATE	ACCOUNT TITLE	POST REF.	GENERAL CREDIT	ACCOUNTS RECEIV. CREDIT	
1	288 00		19-- Feb. 7	Johnson Tennis Equip. Mfr.				1
2				Purchases Ret. + Allow.		288 00		2
3				Debit Memo No. 51				3
4								4
5	95 00		18	Pedal Manufacturers				5
6				Purchases Ret. + Allow.		95 00		6
7				Debit Memo No. 52				7
8								8
9	150 00		26	Pro Manufacturing Co.				9
10				Purchases Ret. + Allow.		150 00		10
11				Debit Memo No. 53				11
12								12
13								13
14								14
15								15
16								16
17								17
18								18
19								

TASK 2

Answer Key

BK
IV–N, 25

(1)

CREDIT MEMORANDUM

FROM: Johnson Equipment Manufacturers
1412 Apple Tree Street
Atlanta, GA 30304

Number 24

TO: Sporty Sports Shop
1977 Sanford Street
Aiken, SC 29801

Date Feb. 9, 19--

Your account is being credited for:

QUANTITY	DESCRIPTION	AMOUNT	TOTAL
24	#8867 metal frame tennis rackets	12.00	$288.00

(2)

CREDIT MEMORANDUM

FROM: Pedal Manufacturers
222 Saddle Lane
Chicago, IL 60607

Number 25

TO: Sporty Sports Shop
1977 Sanford Street
Aiken, SC 29801

Date Feb. 20, 19--

Your account is being credited for:

QUANTITY	DESCRIPTION	AMOUNT	TOTAL
1	Bicycle - damaged wheel	95.00	$ 95.00

(3)

CREDIT MEMORANDUM

FROM: Pro Manufacturing Company
654 Dribble Drive
Charlotte, NC 28202

Number 26

TO: Sporty Sports Shop
1977 Sanford Street
Aiken, SC 29801

Date Feb. 28, 19--

Your account is being credited for:

QUANTITY	DESCRIPTION	AMOUNT	TOTAL
10	Basketballs Customer received too late for sales promotion.	15.00	$150.00

TASK 3
(1)

CREDIT MEMORANDUM NO. 105

TAMMY TOP INDUSTRIES · Box 1017 · Lancaster, SC 29720

TO: Joan's Jean Shop
404 Lynwood Square
Columbia, SC 29201

DATE: (today's date)

We have credited your account as follows:

24	shirts, style 2020 Customer ordered style 2002.	10.00	$240.00

(2)

CREDIT MEMORANDUM NO. 106

TAMMY TOP INDUSTRIES · Box 1017 · Lancaster, SC 29720

TO: Hartsville Clothing Store
Hartsville, SC 29550

DATE: (today's date)

We have credited your account as follows:

48	T-shirts, light blue Your order specified dark blue.	4.00	$192.00

(3)

CREDIT MEMORANDUM NO. 107

TAMMY TOP INDUSTRIES · Box 1017 · Lancaster, SC 29720

TO: Charlie's A Shop
337 Main Street
Greenville, SC 29602

DATE: (today's date)

We have credited your account as follows:

36	Style 4007 shirts Goods not ordered.	6.00	$216.00

TASK 3
Answer Key
GENERAL JOURNAL

	ACCOUNTS PAYABLE DEBIT	GENERAL DEBIT	DATE	ACCOUNT TITLE	POST. REF.	GENERAL CREDIT	ACCOUNTS RECEIV. CREDIT	
1		240 00	19-- Today	Sales Ret. + Allow.				1
2				Joan's Jean Shop			240 00	2
3				Credit Memo No. 105				3
4								4
5		192 00	Today	Sales Ret. + Allow.				5
6				Hartsville Clothing Store			192 00	6
7				Credit Memo No. 106				7
8								8
9		216 00	Today	Sales Ret. + Allow.				9
10				Charlie's A Shop			216 00	10
11				Credit Memo No. 107				11
12								12
13								13
14								14
15								15
16								16
17								17
18								18
19								

PRE-TEST

Answer Key

1. d
2. a
3. b
4. b
5. a
6. a
7. a
8. c
9. b
10. b
11. a
12. a
13. a
14. b
15. a

POST-TEST

Answer Key

1. c
2. d
3. b
4. a
5. a
6. a
7. b
8. a
9. a
10. b
11. b
12. b
13. a
14. a
15. a

MODULE NO. IV–N

NAME_____
DATE_____

INSTRUCTOR'S CHECKLIST

PERFORMANCE SCALE

N/A – The skill was not applicable to this situation

Poor – The student can not perform the skill

Fair – The student can perform this skill satisfactorily but requires periodic supervision and/or assistance

Good – The student can perform this skill effectively without assistance and/or supervision

Excellent – The student can perform this skill without supervision and/or assistance with proficiency in speed

ACTIVITY Debit Memos for Purchase Returns	EVALUATION				
	N/A	POOR	FAIR	GOOD	Excellent
1. Obtained a debit memorandum.					
2. Used the current date.					
3. Inserted (typed) the name of the person or business to whom goods are being returned.					
4. Listed the quantity b. description of the goods c. unit price d. total price					
5. Sent original to creditor.					
6. Filed carbon as a source document for journal entry (Purchase Returns)					
7. Recorded journal entry appropriately.					

MODULE NO. IV–N

NAME_____
DATE_____

INSTRUCTOR'S CHECKLIST

PERFORMANCE SCALE

N/A – The skill was not applicable to this situation

Poor – The student can not perform the skill

Fair – The student can perform this skill satisfactorily but requires periodic supervision and/or assistance

Good – The student can perform this skill effectively without assistance and/or supervision

Excellent – The student can perform this skill without supervision and/or assistance with proficiency in speed

ACTIVITY Credit Memos for Sales Returns	EVALUATION				
	N/A	POOR	FAIR	GOOD	Excellent
1. Obtained a credit memorandum.					
2. Inserted (typed) the name and address of the person or business returning the goods.					
3. Used the current date.					
4. Listed the quantity b. description of items c. unit price d. total price					
5. Sent original to customer					
6. Filed carbon copy as a source document for journal entry (Sales Returns)					
7. Recorded journal entry appropriately.					

TASK 1

DEBIT MEMORANDUM NO.

SPORTY SPORTS SHOP, 1977 Sanford Street, Aiken, SC 29801

TO: DATE:

We are debiting your account as follows:

TASK 2

CREDIT MEMORANDUM

FROM: Number _____

TO: Date _____

Your account is being credited for:

QUANTITY	DESCRIPTION	AMOUNT	TOTAL

TASK 3

CREDIT MEMORANDUM NO. _____

T A M M Y T O P I N D U S T R I E S · Box 1017 · Lancaster, SC 29720

TO: DATE:

We have credited your account as follows:

BK
IV–N, 35

GENERAL JOURNAL

	ACCOUNTS PAYABLE DEBIT	GENERAL DEBIT	DATE	ACCOUNT TITLE	POST. REF.	GENERAL CREDIT	ACCOUNTS RECEIV. CREDIT	
1								1
2								2
3								3
4								4
5								5
6								6
7								7
8								8
9								9
10								10
11								11
12								12
13								13
14								14
15								15
16								16
17								17
18								18
19								

Purchases Returns and Allowances Account No. _____

DATE	EXPLANATION	POST REF.	DEBIT	DATE	EXPLANATION	POST REF.	CREDIT

Purchases Returns and Allowances Account No. _____

DATE	EXPLANATION	POST REF.	DEBIT	DATE	EXPLANATION	POST REF.	CREDIT

Sales Returns and Allowances Account No. _____

DATE	EXPLANATION	POST REF.	DEBIT	DATE	EXPLANATION	POST REF.	CREDIT

Sales Returns and Allowances Account No. _____

DATE	EXPLANATION	POST REF.	DEBIT	DATE	EXPLANATION	POST REF.	CREDIT

SCRIPT FOR
PREPARING MEMOS FOR GOODS RETURNED

SLIDE NO.	NARRATION
1	Title (no script)
2	Produced by South Carolina Department of Education and Vocational Education Media Center (no script)
3	Credit statement (no script)
4	Written by: Mrs. Mary Horton
5	As you came to school this morning, you may have passed an industry that manufactures and distributes goods to wholesale and retail establishments throughout the world.
6	As we think about and discuss our industries and distributors, our thoughts tend to focus on the items produced or sold.
7	But now that you are enrolled in an accounting or recordkeeping class, you are becoming aware of the importance of the paper work and recordkeeping necessary for both the manufacturer and the buyer of goods.
8	As goods are prepared for shipment from the manufacturer, records are made of each item ready for shipment.
9	As trucks or railcars are loaded for transporting, other shipping records become necessary so that the buyer and the seller at all times are aware of the location of the goods.
10	We will now follow the processing of an order sent from a retail store...
11	to a manufacturer.
12	We will see some of the paper work and accounting procedures required at the manufacturer or seller...
13	and at the distributer or buyer of the goods. In the situation that follows, we will see what happens when an error is made.
14	The order for goods is completed by the retailer. What item is being ordered? (Pause for student to read order.)
15	When the order reaches the manufacturer, proper processing is done to determine if the item ordered is in stock or must be manufactured.
16	The instructions are passed on to the proper personnel who will wrap
17	and package the goods for shipment. Uh–oh, an error is being made. Do you recall the pattern number ordered?
18	An invoice is prepared and mailed to the customer.
19	The fabric retailer frequently places orders with the manufacturer; their account is now debited for the amount of the goods.
20	When the shipment reaches the buyer, the clerk compares the goods with the order.
21	Uh–oh, can you see the effect of a careless error?

SCRIPT

(Continued)

SLIDE NO.	NARRATION
22	The clerk calls the manufacturer to report the receipt of the incorrect item.
23	The goods are made ready to be returned to the vendor.
24	Then, the bookkeeper completes a debit memorandum form to be mailed to the manufacturer.
25	He uses a copy of the debit memorandum for a journal entry.
26	The amount owed the manufacturer is decreased,so debit the amount of the return. The credit is made to an account, Purchases Returns and Allowances. This account has a credit balance, so a credit increases this account, and a debit decreases the account. Let's look at this entry carefully!
27	The date is written in the date column.
28	The amount of the debit is written in the Accounts Payable Debit Column.
29	The name of the manufacturer is written in the Account Title Column.
30	The amount of the credit is written on the next line in the General Credit Column.
31	The account being credited, Purchases Returns and Allowances, is written in the Account Title Column.
32	The source document is recorded on another line.
33	As the goods are received back at the manufacturer's,the pattern number is compared with the copy of the original order. Now, he sees where the error was made.
34	As the goods were not damaged and can be used for another order later, they are returned to inventory.
35	Proper records regarding the return are forwarded to the accounting department where a credit memorandum will now be prepared and mailed to the customer.
36	The credit memorandum shows the amount of credit granted by the manufacturer or vendor for the return.
37	The manufacturer's copy of the credit memorandum will be used by the accounting department for a General Journal entry as a debit to Sales Returns and Allowances and a credit to Accounts Receivable.
38	Now, everyone is happy again. Even though an error was made . . .
39	and accounting records were corrected . . .
40	both the vendor and the buyer are pleased with the results.

SCRIPT

(Continued)

SLIDE NO.	NARRATION
41	Even though this was a planned error, mistakes such as this may occur on the job. Careful and accurate handling of goods and records serve as preventative measures, but . . .
42	if an error does occur, and goods must be returned, both the buyer and the vendor must keep records of the proceedings. Now you are ready to prepare debit and credit memorandums.
43	THE END